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U. S. DEPARTMENT OF AGRICULTURE
UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research ServiceFARM-MORTGAGE LENDING EXPERIENCE
OF SIXTEEN LIFE INSURANCE COMPANIES, THE FEDERAL LAND BANKS,
AND THE FARMERS HOME ADMINISTRATION, APRIL THROUGH JUNE, 1957 ^{1/}

Prepared in the Farm Economics Research Division

Farm-mortgage debt held by 3 major lenders continued to rise during the second quarter of 1957. (See tables 1-10.) However, the rate of increase was below that of a year earlier and the volume of new loans was down sharply. Farm mortgages acquired by the Federal land banks and 16 life insurance companies were well below the second quarter of 1956, but the Farmers Home Administration reported a moderate increase in their acquirements of direct farm-ownership loans. The average size of farm mortgages acquired continued to increase.

Interest rates have continued to move upward. Seven of the Federal land banks reported rate increases since the end of the first quarter of 1957. A 5-percent rate is now charged by 6 of the Federal land banks and 6 of the banks are charging 5 1/2 percent. Most life insurance companies report basic rates of 5 to 6 percent.

Loan commitments of the Federal land banks and 16 life insurance companies were lower in both number and amount in the first 6 months of 1957 as compared with a similar period in 1956. The Farmers Home Administration reported an increase in loan commitments in the first half of 1957. The average size of loan commitments continues to increase.

Principal repayments during the first 6 months of 1957 were below a year earlier. The rate of principal payments also decreased. However, foreclosures and delinquencies remained low.

Sixteen life insurance companies showed a 2-percent rise during the quarter in the amount of farm mortgages held. At the end of the second quarter, these companies held 187,465 farm mortgages with an outstanding principal of \$2,256 million. Interest on only 657 of the mortgages was overdue by more than 3 months and only 110 were in process of foreclosure.

^{1/} This report is prepared from data furnished by the Farm Credit Administration, the Farmers Home Administration, and 16 life insurance companies. On January 1, 1957, these 16 companies held about 89 percent of the amount of farm mortgages held by all life insurance companies.

Loan commitments of the 16 companies during the second quarter of 1957 amounted to \$87 million, 30 percent below the same quarter in 1956. No significant change was noted in the purposes for which these funds were to be used.

Principal repayments in the second quarter were 16 percent below those of a year earlier. Payments on principal during the second quarter of 1957 amounted to 1.9 percent of principal indebtedness at the beginning of the quarter as compared with 2.4 percent in the second quarter of 1956.

Both the number and amount of farm mortgages acquired by the 16 companies continued to decline. The number of mortgages acquired in the second quarter of 1957 was 27 percent below a year earlier and the amount was 22 percent less. The number of mortgages acquired in the first 6 months of 1957 was down 25 percent from the same period in 1956 and the amount declined by 20 percent.

The average size of new loans rose again in the second quarter. Loans made in the second quarter averaged \$15,540 as compared with \$15,020 in the same quarter of 1956.

The Federal land banks continued to increase their holdings of farm mortgages during the second quarter of 1957. At the end of the quarter, the Federal land banks owned 367,293 farm mortgages with an outstanding principal of \$1,870 million. The number of loans held at the end of the first 6 months of 1957 was 2 percent above the same date a year earlier and the amount of principal outstanding increased by 14 percent.

The number and amount of loans closed fell sharply in the first 6 months of 1957. Compared with the first half of 1956, the number of loans closed was down by 20 percent and the amount by 17 percent.

Principal repayments during the first 6 months of the year were slightly higher than those in the same period a year earlier, but the rate of principal repayment declined. Compared with the first half of 1956, the number of loans called for foreclosure was down but the principal indebtedness of these loans rose.

The Farmers Home Administration held 30,476 direct farm ownership loans amounting to \$209 million at the end of the second quarter. This represents a 6-percent increase in principal indebtedness outstanding over the same date a year earlier.

The number of loans acquired in the second quarter of 1957 was 5 percent above those acquired in the same quarter a year earlier and the amount was 7 percent higher. The average size of loans acquired rose from \$13,360 in the second quarter of 1956 to \$13,650 in the second quarter of 1957.

The Farmers Home Administration increased their loan commitments greatly during the second quarter. Both the number and amount of commitments were up about 400 percent as compared with the previous quarter or with the second quarter of 1956.

Table 1.- Life insurance companies: Farm-mortgage-loan experience, 16 companies, United States, second quarter, April 1 through June 30, 1957

Item	Loans	Principal indebtedness	
		Total	Average
	<u>Number</u>	<u>1,000 dollars</u>	<u>Dollars</u>
Farm mortgages owned March 31, 1957-----	186,141	2,209,954	11,870
Farm mortgages acquired-----	4,285	1/ 78,814	2/ 15,540
Increase in principal indebtedness of farm mortgages already owned-----	3/	2/ 7,959	3/
Payments on principal of farm mortgages:			
Farm mortgages paid in full-----	2,954	4/ 23,882	5/ 7,300
Payments on principal of other farm mortgages-----	3/	5/ 17,151	3/
Mortgages on farm properties acquired by foreclosure and voluntary conveyance-----	6	131	21,830
Farm mortgages owned June 30, 1957-----	187,465	2,255,563	12,030
In process of foreclosure-----	110	1,439	13,080
Farm-mortgage-loan commitments-----	6/ 4,454	86,962	6/ 18,110

1/ Includes increase in principal indebtedness of mortgages already owned for 2 companies.

2/ 14-company data, excluding 2 companies not separating principal of farm mortgages acquired and increase in principal of mortgages already owned.

3/ Not available.

4/ Includes principal payments on farm mortgages not paid in full for 2 companies.

5/ 14-company data, excluding 2 companies not separating principal payments on mortgages paid in full from payments on other mortgages not paid in full.

6/ 15-company data, excluding 1 company not reporting number of loan commitments.

Table 2.- Life insurance companies: Status of farm mortgages owned, 16 companies, United States, June 30, 1957

Item	Mortgage loans		Principal indebtedness	
	<u>Number</u>	<u>Percent</u>	<u>1,000 dollars</u>	<u>Percent</u>
Interest overdue more than 3 months-----	657	0.3	7,943	0.3
In process of foreclosure or voluntary conveyance-----	110	.1	1,439	.1
Not in process of foreclosure or voluntary conveyance and with interest not overdue more than 3 months-----	186,698	99.6	2,246,181	99.6
Total-----	187,465	100.0	2,255,563	100.0

Table 3.- Life insurance companies: Purposes of farm-mortgage-loan commitments, 12 companies, United States, by quarters, April 1, 1956, through June 30, 1957

Item	1956				1957			
	2d quarter	3d quarter	4th quarter	1st quarter	2d quarter	1,000 dollars	1,000 dollars	1,000 dollars
Amount of commitments-----	58,577	49,257	69,780	58,013	43,311	Percent	Percent	Percent
Percentage of total funds committed for-								
Purchase of real estate-----	28.0	39.3	40.3	37.4	34.6			
Refinancing of-								
Farm real estate mortgages held by-								
Own company-----	1/ 19.4	1/ 12.2	1/ 10.6	1/ 12.5	1/ 12.6			
Others-----	1/ 19.2	1/ 15.8	1/ 16.8	1/ 17.3	1/ 21.2			
Total-----	38.6	28.0	27.4	29.8	33.8			
Other indebtedness-----	13.0	11.5	14.4	13.8	12.2			
Total refinancing-----	51.6	39.5	41.8	43.6	46.0			
Repairs and improvements to land and buildings-----	7.9	11.4	8.7	8.3	8.4			
Other purposes-----	11.3	9.3	9.0	10.6	10.8			
Unknown purposes-----	1.2	.5	.2	.1	.2			
All purposes-----	100.0	100.0	100.0	100.0	100.0			

1/ Distribution of refinancing of real estate mortgages held by own company and by others estimated for 2 of the 12 companies.

Table 4.- Federal land banks: Farm-mortgage loans, United States, 6-month period, January 1 through June 30, 1957 ^{1/}

Item	Loans	Principal indebtedness		
		Total	Average	
	Number	1,000 dollars	Dollars	
Loans outstanding December 31, 1956 ^{2/}	362,582	1,744,052	4,810	
Changes, January 1 through June 30, 1957:				
Loans closed ^{3/}	26,028	238,058	9,150	
Other increases in loans ^{4/}	33	277	^{5/}	
Decreases in loans:				
Principal repayments ^{6/}	^{5/}	67,313	^{5/}	
Other deductions ^{7/}	9,412	45,049	4,790	
Loans paid in full	11,938	^{5/}	^{5/}	
Farm properties acquired by foreclosure and voluntary conveyance	19	73	3,840	
Loans outstanding, June 30, 1957 ^{8/}	367,293	1,870,025	5,090	
Loans called for foreclosure, June 30, 1957	118	583	4,940	
Farm properties owned, June 30, 1957	36	135	3,750	
Loans delinquent and/or extended, June 30, 1957	18,303	^{9/} 2,260	^{5/}	

^{1/} Includes Puerto Rico.

^{2/} Includes purchase-money mortgages, sales contracts, etc., and excludes loans called for foreclosure.

^{3/} Gross number and amount of all loans closed, including new loans that replaced old loans, and loans canceled prior to disbursement of loan proceeds.

^{4/} Increases in loans by reason of reamortizations, reinstatements, etc.

^{5/} Not available.

^{6/} Regular mortgages only. Includes principal matured, special principal payments and loans paid off prior to maturity, plus net decrease in principal matured and unpaid between December 31, 1956 and June 30, 1957. Principal matured and unpaid was \$3,085,000 on December 31, 1956 and \$2,239,000 on June 30, 1957.

^{7/} Includes loans replaced by new loans, loans canceled prior to disbursement of loan proceeds, loans canceled by deed, loans called for foreclosure, loans charged off, and the net decrease in purchase-money mortgages, sales contracts, etc., outstanding during period.

^{8/} Includes purchase-money mortgages, sales contracts, etc.

^{9/} Matured principal unpaid.

Farm Credit Administration - Accounting and Budget Division.

Table 5.- Farmers Home Administration: Direct farm-ownership loans, United States, second quarter, April 1 through June 30, 1957 ^{1/}

Loan experience	Loans	Principal indebtedness	
		Total	Average
	Number	1,000 dollars	Dollars
Farm mortgages owned March 31, 1957-----	30,624	205,991	6,730
Farm mortgages acquired-----	420	5,735	13,650
Increase in principal of farm mortgages already owned-----	^{2/}	702	^{2/}
Farm mortgages paid in full-----	470	1,690	3,600
Payments on principal of other farm mortgages-----	^{2/}	1,636	^{2/}
Mortgages on farm properties acquired by foreclosure and voluntary conveyance-----	98	358	3,650
Farm mortgages owned June 30, 1957-----	30,476	208,744	6,850
Behind schedule in regard to amortization payments-----	4,474	30,642	6,850
In process of foreclosure-----	110	985	8,950
Total farm-mortgage-loan commitments ^{3/} -----	1,585	22,059	13,920
Planned use of loan funds committed during quarter		Percent	
Purchase of farm real estate-----		43	
Refinancing of farm real estate mortgages held by:			
Farmers Home Administration-----		0	
Others-----		40	
Refinancing of other indebtedness-----		0	
Repairs and improvements to land and buildings-----		17	
Other known purposes-----		0	
Unknown purposes-----		0	
Total-----		100	

^{1/} Continental United States only.

^{2/} Not available.

^{3/} Initial loans obligated for second quarter, 1957.

Farmers Home Administration.

Table 6.- Federal land banks: Farm-mortgage-loan experience, United States, first half year, January 1 through June 30, 1956 and 1957 1/

Item	Half year ending June 30		Percentage change, 1956-57
	1956	1957	
			<u>Percent</u>
Loans outstanding June 30: <u>2/</u>			
Number-----	360,722	367,293	1.8
Principal indebtedness:			
Total-----1,000 dollars-----	1,640,781	1,870,025	14.0
Average-----dollars-----	4,550	5,090	11.9
Loans closed during half year: <u>3/</u>			
Number-----	32,717	26,028	-20.4
Principal indebtedness:			
Total-----1,000 dollars-----	285,601	238,058	-16.6
Average-----dollars-----	8,730	9,150	4.8
Payments on principal during half year <u>4/</u>			
Total-----1,000 dollars-----	66,770	67,313	.8
Percentage of principal indebtedness, beginning of first half year percent-----	4.4	3.9	---
Loans called for foreclosure June 30:			
Number-----	127	118	-7.1
Principal indebtedness:			
Total-----1,000 dollars-----	398	583	46.5
Average-----dollars-----	3,130	4,940	57.8

1/ Includes Puerto Rico.

2/ Excludes purchase-money mortgages, sales contracts, etc., and loans called for foreclosure.

3/ Gross number and amount of all regular mortgage loans closed, including new loans that replaced old loans and loans canceled prior to disbursement of proceeds.

4/ Consists of principal matured, special principal payments, and loans paid off prior to maturity, plus the net decrease or minus the net increase in principal matured and unpaid during first 6 months.

Table 7.- Farmers Home Administration: Direct farm-ownership loans, United States, second quarter, April 1 through June 30, 1956 and 1957 ^{1/}

Loan experience	Quarter ending June 30		Percentage change, 1956-57
	1956	1957	
			<u>Percent</u>
Farm mortgages owned June 30:			
Number-----	30,774	30,476	-1.0
Principal indebtedness:			
Total-----1,000 dollars-----	196,119	208,744	6.4
Average-----dollars-----	6,370	6,850	7.5
Farm mortgages acquired during quarter:			
Number-----	400	420	5.0
Principal indebtedness:			
Total-----1,000 dollars-----	5,342	5,735	7.4
Average-----dollars-----	13,360	13,650	2.2
Farm-mortgage-loan commitments: ^{2/}			
Number-----	325	1,585	387.7
Amount-----1,000 dollars-----	4,297	22,059	413.4
Average-----dollars-----	13,220	13,920	5.3
Planned use of loan funds committed during quarter ^{2/}	Second quarter		
	1956	1957	
	<u>Percent</u>	<u>Percent</u>	
Purchase of farm real estate-----	57	43	
Refinancing of farm real estate mortgages held by:			
Farmers Home Administration-----	0	0	
Others-----	15	40	
Refinancing of other indebtedness-----	0	0	
Repairs and improvements to land and buildings-----	27	17	
Other known purposes-----	1	0	
Unknown purposes-----	0	0	
Total-----	100	100	

^{1/} Continental United States only.

^{2/} Initial loans obligated for second quarter, 1956 and 1957.

Farmers Home Administration.

Table 8.- Life insurance companies: Farm-mortgage-loan experience, 16 companies, United States, second quarter, April 1 through June 30, 1956 and 1957

Item	Quarter ending June 30		Percentage change, 1956-57
	1956	1957	
			<u>Percent</u>
Farm mortgages owned June 30:			
Number-----	183,827	187,465	2.0
Principal indebtedness:			
Total-----1,000 dollars-----	2,121,274	2,255,563	6.3
Average-----dollars-----	11,540	12,030	4.2
Farm mortgages acquired during quarter:			
Number-----	5,904	4,285	-27.4
Principal indebtedness:			
Total <u>1</u> /-----1,000 dollars-----	100,790	78,814	-21.8
Average <u>2</u> /-----dollars-----	15,020	15,540	3.5
Farm-mortgage-loan commitments during quarter:			
Number <u>3</u> /-----	6,771	4,454	-34.2
Principal indebtedness:			
Total-----1,000 dollars-----	123,522	86,962	-29.6
Average <u>3</u> /-----dollars-----	17,260	18,110	4.9
Payments on principal during quarter:			
Total-----1,000 dollars-----	48,595	41,033	-15.6
Percentage of principal indebtedness beginning of quarter-----percent-----	2.4	1.9	---
Mortgages in process of foreclosure June 30:			
Number-----	103	110	6.8
Principal indebtedness:			
Total-----1,000 dollars-----	1,457	1,439	-1.2
Average-----dollars-----	14,150	13,080	-7.6

1/ Includes increase in principal indebtedness of mortgages already owned for 2 companies.

2/ Based on 14-company data, excluding 2 companies not separating principal indebtedness of mortgages acquired during quarter from increase in principal of farm mortgages already owned.

3/ 15-company data excluding 1 company not reporting number of loan commitments.

Table 9.- Life insurance companies: Farm-mortgage loan experience, 16 companies, United States, January 1, 1956, through June 30, 1956, and January 1, 1957, through June 30, 1957

Item	Half year ending June 30		Percentage change, 1956-57
	1956	1957	
			<u>Percent</u>
Farm mortgages owned June 30:			
Number-----	183,827	187,465	2.0
Principal indebtedness:			
Total-----1,000 dollars-----	2,121,274	2,255,563	6.3
Average-----dollars-----	11,540	12,030	4.2
Farm mortgages acquired during half year:			
Number-----	13,478	10,160	-24.6
Principal indebtedness:			
Total 1/-----1,000 dollars-----	236,411	188,495	-20.3
Average 2/-----dollars-----	17,540	18,550	5.8
Farm-mortgage-loan commitments during half year:			
Number 3/-----	15,504	10,536	-32.0
Principal indebtedness:			
Total-----1,000 dollars-----	287,233	205,879	-28.3
Average 3/-----dollars-----	17,460	18,380	5.3
Payments on principal during half year:			
Total-----1,000 dollars-----	137,021	139,332	1.7
Percentage of principal indebtedness beginning of year-----percent-----	6.9	6.4	---
Mortgages in process of foreclosure June 30:			
Number-----	103	110	6.8
Principal indebtedness:			
Total-----1,000 dollars-----	1,457	1,439	-1.2
Average-----dollars-----	14,150	13,080	-7.6

1/ Includes increase in principal indebtedness of mortgages already owned for 2 companies.

2/ Based on 14-company data, excluding 2 companies not separating principal indebtedness of mortgages acquired during year from increase in principal of farm mortgages already owned.

3/ 15-company data, excluding 1 company not reporting number of loan commitments.

Table 10.- Life insurance companies: Purposes of farm-mortgage-loan commitments for 12 selected companies, United States, July 1, 1955, through June 30, 1956, and July 1, 1956, through June 30, 1957

Item	1956	1957
	<u>1,000 dollars</u>	<u>1,000 dollars</u>
Amount of commitments-----	293,913	220,361
	<u>Percent</u>	<u>Percent</u>
Percentage of total funds committed for-		
Purchase of real estate-----	32.2	38.2
Refinancing of indebtedness:		
Farm real estate mortgages-----	35.1	29.4
Other indebtedness-----	14.4	13.2
Residual-----	18.3	19.2
Total all purposes-----	100.0	100.0







